# VIEWPOINT

Q3-07 Update

## Market Watch

The third quarter of 2007 was like a wild roller-coaster ride - full of ups and downs and leaving many investors in need of some Dramamine. July saw the equity markets reach new highs only to give way to a major correction in August which was largely due to concerns about credit markets and sub-prime mortgage lending. The Federal Reserve lowered interest rates and opened the discount lending window in the latter stages of the quarter, which provided stability and led to a recovery in equity markets in September.

Overall our performance was quite strong during the third quarter. The quarterly return for the strategy was 11.18% gross and 10.93% net as of September 30, 2007. As of September 30, 2007, the All Cap Growth Strategy has a year to date return of 17.53%, gross and 16.57% net, versus 12.39% for our benchmark, the Russell 3000 Growth.

The fourth quarter is underway and earnings are in full swing. Thus far, things are much the same - bumpy markets with investors and traders who seem to be quick to react to every gyration - both rumor and fact. In our view, this environment is likely to remain for the foreseeable future. There have been several examples of companies operating in the same business with widely different results. Thus, it appears to us that stock-picking is paramount to success as this backdrop persists. The global economy remains strong and should provide stability to a domestic economy that faces headwinds from the ailing housing and mortgage sectors.

The Federal Reserve cut interest rates again in October and we expect more in the coming months. We continue to believe a recession will be narrowly avoided as this remains the biggest risk to equity markets. Given this stance, we believe our overweight position in health care is appropriate. While this may limit performance in a very strong market surge, the protection provided against the downside continues to make sense in our view.

It is important during times like this to maintain a longer term perspective as investors. In this age of instant and constant information, it is essential to balance what has already happened with what is to come. While some of our financial positions have been severely penalized over the last month, we continue to take the long view. Rarely has it paid to ignore a cycle of interest rate cuts.

We believe that more of the same is to come as year-end approaches - a very bumpy ride which in the end will lead to higher prices. While volatility can be a source of day-to-day frustration, the rewards continue to outweigh the risks. As always, valuation will continue to drive our decision-making and should act as our best defense.

As the holidays near, we wish you the very best for a healthy and happy season.

*Joe Biondo, Sr.*
*Joseph Biondo, Jr.*

# All Cap Growth Strategy

## To The Point...

***There were five companies added to the All Cap Growth strategy portfolio during the third quarter of 2007:***

Unlike the second quarter, this was an unusually active period for the All Cap Growth Strategy. Due to market volatility, some companies reached our measure of full valuation while others became attractively priced as new additions. The details are as follows:

**Wynn Resorts (WYNN)**
**Las Vegas Sands (LVS)**

Macau, on China's coast, has become the newest hot spot for gambling. It is our belief that gambling in Asia is in its early stages. Wynn and Las Vegas Sands, the two best operators in the casino business, will be the dominant players in the space. During the first half of the year these stocks were under pressure due to oversupply and capital spending concerns, thus creating very attractive entry points for two excellent growth stocks. As of 9/30/07 when the stock price closed at $157.56, our initial target price for WYNN was $170. As of 9/30/07 when the stock price closed at $133.42, our initial target price for LVS was $165.

**Boeing (BA)**

The global economy is strong, particularly in emerging markets. As these economies grow and their standard of living increases, their citizens have the desire to travel for both business and leisure. As a result, overseas demand for airplanes continues to be very high. In addition, rising fuel costs are encouraging purchases of more energy efficient airplanes both domestically and abroad. We believe that Boeing is well positioned to serve this demand. Order backlog is the highest in company history, which should provide strong earnings growth for the next few years. Because of delays in the new 787 Dreamliner, the stock has come under pressure, thus making the risk-reward very compelling. As of 9/30/07 when the stock price closed at $104.99, our initial price target for BA was $125.

**Prudential Financial (PRU)**
**Morgan Stanley (MS)**

In the midst of the credit crisis during the summer, the equities of many financial companies were punished quite harshly. When every company in an entire sector is sold, it often creates opportunity for investors with a longer-term view. We entered two well-run, well-positioned financial services companies at what we believe to be compelling valuations. While we believe there remains "headline risk," PRU and MS have navigated quite well through the current credit crisis. We expect these companies to emerge stronger than their respective peers. In addition, the Federal Reserve has lowered interest rates and appears willing to be accommodative. The old adage "don't fight the Fed" holds particularly true with financials. As of 9/30/07 when the stock price closed at $97.58, our initial price target for Prudential was $120. As of 9/30/07 when the stock price closed at $63, our initial price target for Morgan Stanley was $80.

Biondo
All Cap Growth

| Strategy / Benchmark | One Year | Three Year | Five Year | Ten Year | Since Inception 02.01.91 |
|---|---|---|---|---|---|
| Biondo All Cap Growth Strategy | 19.70% | 14.18% | 17.65% | 12.33% | 15.00% |
| Net of Max Wrap Fee | 17.20% | 12.20% | 15.82% | 10.58% | 13.19% |
| Russell 3000 Growth | 19.31% | 12.37% | 14.19% | 3.97% | 9.76% |

Biondo Investment Advisors has prepared and presented this report for this newsletter in compliance with the Global Investment Performance Standards (GIPS®).

See Reverse Side for Disclosure Information.

***There were six companies removed from the All Cap Growth strategy portfolio during the third quarter of 2007:***

**Affiliated Managers Group (AMG)**
Our price target of $125 was achieved. In addition, we believe AMG to have exposure to credit market crisis through quantitative strategies, which may cause asset outflow pressure in the coming months.

**CH Robinson Worldwide (CHRW)**
While we continue to believe that this is a very well-run company, the risk-reward profile did not warrant continued ownership. The company is tied closely to the domestic economy and higher oil prices negatively affect operating margins, which may continue to deteriorate for some time.

**Hain Celestial (HAIN)**
Despite our positive outlook on Hain Celestial's (HAIN) brand equity and position in the Natural & Organic Food industry, we exited the position in our All-Cap Growth strategy. Three factors heavily influenced our decision:

•The company recently delayed regulatory filings due to an ongoing, internal option-granting practice probe.

•A lack of transparency in historical financial filings, specifically organic vs. acquisition growth rates.

•At $30, the stock was near our fair valuation.

**Motorola (MOT)**
Competitive pressures continue to weigh on shares. Despite attractive valuation, management does not appear to be taking the right steps in order to face the realities of market share losses to Apple and Research In Motion in the smart phone space, and Nokia on the lower end phone space.

**Netflix (NFLX)**
Competitive pressure from Blockbuster, although not believed to be sustainable, continues to hurt subscriber and average selling price growth. While we view this as short-term in nature and still believe that the Netflix business model is best in breed, we decided that it was best to exit in the face of significant headwinds. Should some of this subside, we may own this stock again in the future, even at a higher price.

**Occidental Petroleum (OXY)**
Occidental is in a commodity business highly levered to the price of crude oil. In our opinion the run up in crude oil prices was no longer reflective of fundamentals, and as a result the risk-reward became less attractive.

# The Inside View

## *Biondo In The News...*

- The Wall Street Transcript: August 13, 2007 "Investing with PEG Analysis" Paul Smith
- Investment News: August 13, 2007 "Large Cap Growth Is The Place To Be" Jeff Benjamin
- TheStreet.com TV: August 21, 2007 "Father Son Team Outpaces the S&P" Gregg Greenberg www.thestreet.com
- MSN Money: August 28, 2007 "Investors Seek Safety As Market Skids" Tim Middleton
- Investment News: September 20, 2007 "Client-Centric Planning Pays Off" Jeff Benjamin

## *Need A Speaker...*

Does your next conference or event need a guest speaker? Our presentations are educational and deliver valuable investment information. Contact Sharon Lolk, Marketing Associate, to discuss your next event.
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## Biondo Investment Advisors, LLC
## All Cap Growth Composite Presentation Disclosures

| | Gross Weighted Total Return % | Net Weighted Total Return % | Russell 3000 Growth Index % | Dispersion | Number of Portfolios | Composite Market Value (in USDThousands) | Total Firm Assets (in USD Thousands) |
|---|---|---|---|---|---|---|---|
| 2007 | 17.36 | 15.30 | 12.38 | 10.32 | 253 | $268,629.4 | $536,485.1 |
| 2006 | 5.31 | 2.82 | 9.46 | 6.08 | 304 | 227,896.5 | 464,177.4 |
| 2005 | 12.57 | 11.14 | 4.77 | 6.23 | 607 | 154,472.4 | 323,282.7 |
| 2004 | 10.56 | 9.79 | 6.92 | 5.87 | 507 | 104,511.3 | 277,590.8 |
| 2003 | 30.18 | 28.22 | 30.97 | 9.45 | 529 | 105,352.7 | 269,694.0 |
| 2002 | (14.37) | (15.72) | (28.05) | 7.08 | 504 | 83,508.4 | 205,346.9 |
| 2001 | (0.37) | (1.88) | (19.63) | 6.27 | 500 | 105,502.7 | 228,286.1 |
| 2000 | 1.14 | (0.45) | (22.43) | 9.51 | 405 | 104,559.9 | 216,207.5 |
| 1999 | 30.64 | 28.65 | 33.82 | 20.82 | 263 | 89,721.3 | 187,147.8 |
| 1998 | 34.91 | 32.90 | 35.04 | 15.45 | 156 | 59,816.1 | 132,449.1 |
| 1997 | 18.08 | 15.99 | 28.74 | 10.99 | 99 | 34,741.2 | 76,515.5 |

* 2007 Return data represented is from December 31, 2006 through September 30, 2007

Biondo Investment Advisors, LLC (the “Firm”) is a registered investment adviser specializing in All Capitalization Growth Investment Management. The Advisers research and identify companies with exceptional growth prospects, capable management teams that specialize in niche business segments with high barriers to entry for competitors.

All Cap Growth Composite - pursues stocks with growth characteristics in all market capitalizations with an emphasis on Healthcare and Financial stocks. The All Cap Growth Composite’s asset allocation guideline for inclusion into the composite is generally 70% to 100% in equities and the remainder in high quality fixed income securities depending on economic conditions and the markets. Accounts may be excluded from the composite due to restrictions imposed on the managers. Accounts can be added or deleted from the composites due to terminations or strategy changes. The minimum account level for inclusion into the composite is ten thousand dollars. We allow for a 20% drift from the target strategy percentages based on client circumstances and short term situations.

The All Cap Growth composite was created on June 1, 1995.

The Composite is presented gross and net of fees incurred by the client. Bundled fee accounts are included in this composite and performance for them are presented gross of all fees (“Pure Gross”). Beginning January 1, 2006 Performance for the composite is reduced monthly by 0.2% to reflect the highest fee charged to bundled fee accounts. These fees are representative of transaction fees, management fees, consulting fees and custodial fees. Pure gross returns are included as supplemental information. As of year end 2006 76% of the assets in this composite were bundled fee. Prior to January 1, 2006 actual fees were used to calculate net performance.

The composite returns include reinvestment of dividends and other such earnings.

A complete list and description of all of the Firm’s composites is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request.

Standard deviation of the composite performance over time is a measure of dispersion. A measure of dispersion may not be meaningful for composites consisting of five or fewer accounts or for periods of less than a full year. Standard deviation is calculated based upon gross total returns, asset weighted and only for composites with greater than five portfolios active for the complete period.

The standard fees charged, on an annual basis, by the Firm are negotiable and generally up to a maximum of 2.5% of assets under management. The fee schedule, as described in our form ADV Part II, for the All Cap Growth Strategy is based on average market value per quarter: Actual Investment advisory fees incurred by clients may vary. The All Cap Growth fee schedule is 2.5% up to $500K, 2.00% between 501K to $1MM, 1.75% between $1MM to $4MM, 1.0% between $4MM to $10MM, .75% between $10MM to $20MM and any accounts over $20MM a negotiated fee.

Performance is expressed in U.S. Dollars. The composite is compared against the Russell 3000 Growth Index. The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes. These and other indices that might be shown do not reflect the deduction of advisory fees, commissions or other transaction charges. Prior to December 31, 2004, the composite was measured against the S&P 500 Index, since January 1, 2005 the index was changed retro-actively to the Russell 3000 Growth index which has a higher correlation to our composite strategy.

Prior to June 2004 the Firm operated as an independent group within a registered investment advisor. The name changed from The Biondo Group to Biondo Investment Advisors, LLC.

Biondo Investment Advisors, LLC’s compliance with the GIPS standards has been verified for the period January 1, 2006 through September 30, 2007 by Ashland Partners & Company LLP and for the period February 1, 1991 through December 31, 2005 by a previous verifier. In addition, a performance examination was conducted on the All Cap Growth Composite for the period January 1, 2006 through September 30, 2007 by Ashland Partners & Company LLP and for the period February 1, 1991 through December 31, 2005 by a previous verifier. Copies of the verification reports are available upon request.

The information set forth regarding securities and investment advice was obtained from sources which we believe reliable but we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes a solicitation by us of the purchase or sale of any securities. The performance quoted above represents past performance and current performance may be lower or higher than the performance date quoted. Past performance does not guarantee future results as investment returns may vary from time to time depending upon market conditions and the composition of the composite portfolio. Biondo Investment Advisors has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

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